PHILIP MORRIS MANAGEMENT CORP. INTER-OFFICE CORRESPONDENCE

120 PARK AVENUE, NEW YORK, N.Y. 10017-5592

TO: H. Gaisch **DATE:** January 30, 1992

FROM: S. Parrish

RE: Restructuring S&T

I was pleased with our discussions last week. So there will be no further confusion however, I would like to set out in detail the implications of the restructuring we discussed.

Position description. Your position, as redefined, shall be the following:

- o provide strategic input on proactive measures regarding ETS and IAQ;
- o provide Corporate Affairs personnel with scientific support with respect to ETS and IAQ issues;
- o act as advisor and spokesman regarding ETS and IAQ in contacts with scientists, journalists, politicians and various institutions;
- o act as a liason between Corporate Affairs personnel and Covington & Burling regarding the consultants program;
- o monitor the scientific literature regarding ETS;
- o provide Corporate Affairs personnel with scientific support regarding specific issues such as health warnings, regulatory issues and the efforts of various third-party institutions;
- o advise senior management on matters relating to ETS and IAQ.

Staffing. The entire Patent group and two of the scientists and one secretary previously in the S&T group (Helmut Reif, Ruth Dempsey and Cory Dubuis-Meile) will transfer immediately to Research and Development. The remainder will comprise the S&T unit. (You, Peter Martin, Mitchell

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Ritter, Andre Badstuber, Pierre Ceschini, and Jill Gygax.) Under the new structure, the following reporting relationships will be established:

Reporting to Director, Research and Development:

J. Mandiratta
R. Dempsey
H. Reif

M. Polak will continue to report to J. Mandirata, and L. Rosner will provide secretarial support to the Patent function.

Projects. In an effort to consolidate and coordinate the research efforts ongoing in various areas of the company, we will be transferring immediate responsibility and accountability for those primary issue grants listed on attachment A to Richmond or R&D Neuchatel. The projects listed on attachment B will be monitored by outside counsel.

Also attached is the list of consultants which you recently furnished to Chuck Wall. For each of those consultants, please provide a current status report listing the consultant, the contact with the company, the amount (in US dollars) committed for 1992, a description of the work and an indication of who pays the consultant (SH&B, C&B, or S&T). If your current list differs in any way from the attached please notify me immediately.

If there are any non-research projects for which you have retained consultants or professional services please provide a similar status report for my review. In 1992, any new projects for which expenses will be incurred, must be fully discussed with me and approved in advance of incurring expenses.

The world-wide consultants project, due to its complexity and budgetary impact will be directed from New York. This will include the Asian and Latin American projects as well as the

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European project. Although we have not yet made specific arrangements to resolve all of the administrative and procedural issues that project raises, the program is one of the resources available to you in your capacity as EEC/EEMA scientific adviser on ETS issues. As you will see from the above position description, you will play a key role in the proper implementation and coordination of the program.

Budget. As is the case with the other Directors in Corporate Scientific Affairs, you will be accountable for a specific portion of the overall budget for Corporate Scientific Affiars. In 1992, I will be taking a more active role in reviewing expenses and approving costs whether or not included in our original planning. As you and your staff will be devoting nearly 100% of your time to ETS/IAQ issues, your salaries, fringes and all related office costs will be charged in full to the budget I submitted to Senior Management last month. Attached for your information is the original budget as submitted and a separate page representing your portion of that overall budget.

As with all changes, the adjustment period may produce some questions as to responsibility and procedures. You and I will need to work closely together to see that the current structure maximizes your potential and utilizes your staff to its full capability, while answering the most urgent needs identified in Corporate Affairs. To that end, I would like to schedule a formal planning session in Neuchatel sometime in February or March. I find those sessions work best when all staff members attend and can freely discuss what their responsibilities will be, how they can best contribute and what they perceive to be the greatest challenges in their assignments. I would appreciate your thoughts as to agenda items for that session.

In addition to a planning session, I think we need to meet as soon as possible with Covington & Burling regarding financing and direction of their work. I will try to schedule such a meeting, probably in London. As a result, I think the meeting

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with Chuck Lister being discussed for next week should not take place.

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